Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Annual Assessment of the Status of	)	CS Docket No. 00-132
Competition in the Market for the Delivery	)	
of Video Programming	)	

COMMENTS OF THE SATELLITE BROADCASTING AND COMMUNICATIONS ASSOCIATION

Satellite Broadcasting and
Communications Association

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I. INTRODUCTION AND SUMMARY

The Satellite Broadcasting and Communications Association ("SBCA") is pleased to submit to the Commission its comments in the above-referenced Notice Of Inquiry. The SBCA is the national trade association of the U.S. Direct-to-Home satellite television industry (DTH), the principal competitor to cable television. The Association's membership comprises the Direct Broadcast Satellite providers ("DBS") who offer television program services directly to consumer households; the programming companies that license their product to both the DBS providers and C-Band distributors; manufacturers of home receiving equipment and distributors and retail dealers who offer systems and programming to consumers at the point of sale.

The period of competition that these comments entail, July 1, 1999-July 1, 2000, has been one of extreme importance to the satellite television industry. As we shall describe, it has been marked by a consistent pattern of new subscriber acquisition by the

DBS providers, aided in part by the authority granted them by the Satellite Home Viewer Improvement Act of 1999 to retransmit the broadcast signals of local television stations within their respective Designated Market Areas. On the other hand, while the requirements attached to local-into-local satellite carriage such as must-carry and retransmission consent were intended to approximate the regulatory obligations imposed on the cable industry for similar program carriage, Congress did not intend for the Commission to ignore the unique, national architecture of satellite television distribution. Depending upon how the must carry obligation is implemented, the DBS providers may not have sufficient transponder capacity to offer local-into-local service in many more than the approximately 30 to 35 television markets that each provider serves today.

In any event, the advent of new interactive services that both cable and satellite are beginning to offer consumers portends even more competition between the two distribution technologies. The DBS satellite companies are rapidly rolling out new, interactive digital applications that will enhance the ability of consumers to view, store and recall programming, as well as receive data, information, and use the Internet. In fact, satellite is the most cost-efficient means to bridge the "digital divide" that has become the concern of so many policy makers. Our main concern is that sufficient, interference-free spectrum be available so DBS providers can offer their services to all consumers. But by the same token, the cable companies have not been idle, and the consolidation that has been taking place among the larger MSO's has given them the increased capability to capitalize the new infrastructure necessary to enter the digital age.

Nonetheless, while the satellite industry is progressively making competitive inroads into the video marketplace, it still faces significant hurdles to achieving its full

potential as a competitor to cable. Significant issues continue to impede the development of DBS and must be resolved if, indeed, the playing field is to be "level." They are:

1. The re-evaluation of must-carry rules for DBS in order to provide a more realistic free market approach to broadcast signal carriage in the context of national satellite architecture.
2. Resolving the issues that continue to swirl around the provision of distant network signals via satellite to consumers who cannot receive a viewable broadcast picture using a standard rooftop antenna. These issues continue to plague consumers in spite of the provisions of SHVIA that were supposedly designed to ease the burden of qualifying "unserved" households. These difficulties are exacerbated by the constraints on the providers that limit their ability to offer local-into-local service in more markets. In view of these circumstances, the Commission should consider whether a new policy is needed to ensure that all U.S. satellite households can have access to broadcast signals via satellite -- either through local-into-local or distant network service.
3. Rejection of demands by terrestrial fixed wireless services to share the DBS band. Permitting the sharing of the 12.2-12.7 GHz band by such services would cause ruinous interference. This disruption of DBS service by an incompatible technology should not be tolerated as it would leave consumers with less competition, increased costs and service that is by government decree inferior to the service they enjoy

today. Such services should be authorized, if at all, only in the frequency bands – such as those allocated to MDS or LMDS -- that have already been set aside for terrestrial wireless video and data services

We discuss these issues below in greater detail. It is important also to gauge the impact of these issues in the context of subscriber attitudes to satellite television that SBCA garners from the annual consumer surveys conducted for the Association by the Yankee Group, coupled with subscriber penetration rates. They should also be folded into the information concerning the availability and usage of local-into-local service by consumers, the implications of continued reliance on the outmoded Grade B standard for qualifying "unserved" households for distant network service, and the trends that this data reveals concerning the acceptance of satellite television in general.

As we have reported in our previous filings on video competition, the consumer satisfaction studies performed by J.D. Power and Associates have consistently ranked satellite television higher than cable. On September 6, 2000, the firm released its latest consumer survey again comparing satellite and cable.[1] Once again, the study indicates that consumers give satellite television providers higher satisfaction ratings than cable operators. The satellite television satisfaction index averaged 118 while the cable television average score was 97. According to J.D. Power, the principal drivers of customer satisfaction among the 4,800 consumers who were surveyed were cost of service, which was ranked as the most critical driver, followed by credibility/billing, program offerings, equipment and service capabilities, customer service, and reception quality. According to the J.D. Power press release announcing the study's results, "Both

[1] J.D. Power and Associates 2000 Cable/Satellite TV Customer Satisfaction Study (SM).

satellite TV providers clearly exceed their customer's expectations." Only two of the nine cable TV companies included in the survey performed above the cable industry average.

II. DTH SUBSCRIBER TRENDS

At the time SBCA filed its comments in the Commission's 1999 proceeding on the assessment of competition, DBS providers had not acquired the authority to offer local-into-local service to satellite households in the Designated Market Areas of the respective local broadcast stations being retransmitted. The market data we describe in this filing appear to reflect the positive impact that the Section 122 license contained in the SHVIA has had on subscriber growth since the inception of local-into-local in November 1999. There have been impressive subscriber gains in the 9-month period that local-into-local has been available. Nonetheless, the cable industry still maintains the lion's share of the multichannel video market with 69 million subscribers – almost 70 percent of television households - while the overall DTH market segment, including both C-Band and DBS, comprises approximately 15 million subscribers. Our analysis is based on the data developed by the SkyTRENDS[2] program which is the principal source of economic and subscriber trends in the DTH industry. We also utilize the results developed by the annual consumer survey conducted by the Yankee Group for the SBCA.[3]

C-Band remains an important source of programming for the roughly 1.4 million households that have remained loyal to that service, despite the decline in subscribers

[2] SkyTRENDS is a partnership project between the SBCA and Media Business Corp., Denver, CO. Programs include the semi-annual SkyFORUM financial conferences, publication of the monthly SkyREPORT research publication, and the Effective Competition Tracking Reports which measure DTH market penetration.

[3] Programmer Study 2000, conducted by the Yankee Group, Boston, MA, June, 2000.

since the inception of DBS in 1994. However, while the annual net loss in subscribers widens on an increasing scale, C-Band continues to attract a small but hardy band of new subscribing households (even though households deauthorizing C-Band service constitute a far greater number). Nonetheless, satellite programmers remain committed to offering program product to this sector of the DTH industry. In addition, the Motorola Broadband Group/GI, the prime encryption provider for C-Band, has announced the availability of new digital equipment for the band. This development is crucial for C-Band subscribers in view of the conversion of many program services from analog to a digital transmission format. Thus SBCA remains confident that for the foreseeable future, C-Band will remain an important part of the DTH universe.

U.S. households continue to take DBS service at an increasingly faster clip as indicated in Table 1 below. We projected in last year's report to the Commission that the industry would gain 3 million more subscribers between June 1999 and June 2000.[4] The DBS providers achieved that projection by gaining 3,020,000 new subscribers during the period. Furthermore, the state-by-state DTH data contained in the attached July 1, 2000 SkyTRENDS graphic (Exhibit A) and in Table 2 show DTH penetration contrasted with cable among all TV households. The statistics indicate that 44 states now have DTH penetration of greater than 10 percent, as compared to 40 states last year; 24 states show a penetration of more than 20 percent, compared to 10 states last year; and 3 states now boast more than 30 percent DTH penetration, with Montana set to cross the 40 percent mark DTH is now viewed in approximately 14.5 percent of TVHH's.

[4] SBCA Comments, August 8, 1999, p. 8.

Table 1

DTH Subscriber Base[5]

	Total DTH	Total DBS	Total C-Band
June 30, 1994	1,992,808	70,000	1,922,808
June 30, 1995	3,424,349	1,103,000	2,321,349
June 30, 1996	5,237,933	2,901,000	2,336,933
June 30, 1997	7,231,472	5,047,000	2,184,472
June 30, 1998	9,282,394	7,254,169	2,028,225
June 30, 1999	11,750,411	9,967,000	1,783,411
June 30, 2000	14,463,717	12,987,000	1,476,717

Table 2

DTH Penetration Rate by State

	> 10%	> 20%	> 30%
June 30, 1999	40	10	2
June 30, 2000	44	24	3

Additionally revealing is the daily acquisition rate of new subscribers for the DTH industry as a whole, and particularly for DBS in those markets where local-into-local service has been made available. The overall acquisition rate for DBS has increased to 8,274 new subscribers per day, a figure that includes the pre-SHVIA period of July-November, 1999, when local-into-local was not available.

[5] Figures may change slightly due to updating.

Table 3

New DTH Subscribers/Day June30-June 30 (National)

	DTH	DBS	C-Band
94-95	3,922	2,830	1,092
95-96	4,969	4,926	43
96-97	5,462	5,879	(418)
97-98	5,619	6,047	(428)
98-99	6,762	7,432	(671)
99-00	7,434	8,274	(840)

Moreover, an examination of DBS penetration in markets where local-into-local service is being offered shows even more powerful results. SkyTRENDS analyzed 13 DMA's where one or both DBS providers had introduced local-into-local service by December 1999. For the six-month measurement period of June-December, 1999, the platforms added an average of 4,002 new subscribers per month within each DMA. For the post-SHVIA period of January-June, 2000, they signed up an average of 5,706 new subscribers per month per DMA, an increase of 43 percent over the pre-SHVIA period. On a national basis, including all areas regardless of whether or not local-into-into service is available, DBS has been averaging about 275,000 new subscribers per month. Given this rate of increase, analysts predict that the industry could add more than 1.5 million new subscribers in the next six months – resulting in a total of 16 million DTH subscribers by the end of 2000.

The implications of this growth data is clear -- as one Merrill Lynch analyst stated in a July 31, 2000 report: "The 40% subscriber addition growth in 2000 is primarily the result of legislation passed in November 1999 allowing the DBS operators to offer local broadcast channels in markets of their choice. Viewed from another perspective, annual DBS subscriber growth has been very robust, moving from 49% in 1997 to 31% in 1999 where it should remain for 2000 as well. These annual DBS subscriber rates compare to the cable television industry that has seen annual subscriber growth rates of 2.5-3.5 in 1997 moving toward 1.0-1.5 in 2000."[6]

III. MUST-CARRY IS AN OUTMODED AND WASTEFUL REGIME.

The SBCA has already filed with the Commission its comments in opposition to forced-carriage in the proceeding mandated by the SHVIA[7] (See Appendix B). As stated in those comments, SBCA takes the position that the forced-carriage regime mandated by SHVIA is clearly unconstitutional.

Nonetheless, in these comments we will touch on those aspects of DBS "must-carry" as they apply to the issues we have already raised in the broader context of delivery of broadcast signals in the marketplace. We stated in our July 14th filing that applying forced carriage in its present form to the DBS industry was wasteful of spectrum and actually contradicts public policy objectives:

> Full must-carry requirements applied to a national distribution platform such as satellite are extremely burdensome and highly wasteful. While today the DBS carriers are offering the local affiliates of the four major national networks, in those markets where they are offering full local-into-local, a full must-carry regime would require, for example, according to Burrell's Media 2000, the carriage of approximately 24 stations in the Los Angeles DMA and approximately 18 stations in the New York City DMA. Many of these stations have very limited

[6] Merrill Lynch, "The DBS Story Has Shifted From One of Subscriber Growth to EBITDA," July 31, 2000.
[7] CS Docket No. 00-96, Comments of the Satellite Broadcasting and Communications Association, July 14, 2000.

> local viewership, but nonetheless will utilize national satellite channel capacity. Others, such as shopping channels, have little true local content and simply replicate programming that is already carried via satellite on a national channel. Such a regime is highly wasteful of scarce spectrum resources and does not serve any legitimate governmental purpose, let alone a compelling or important one.[8]

The proposed DBS must-carry requirements are highly onerous, and will not be beneficial to consumers. As we have already stated, in order to anticipate a full must-carry condition in 2002 and the carriage of large numbers of broadcast signals, particularly in the larger metropolitan areas that are rife with limited-interest stations, the DBS providers must reserve significant channel capacity. Thus, a direct consequence of full must-carry will be the lack of carriage of any local programming in mid-sized, smaller and rural television markets. Satellite consumers in those markets will be denied access to the local programming in their own markets because of carriage of sparsely-viewed stations in the larger markets. In other words, consumers, and particularly those in smaller markets who often have limited access to a full range of broadcast programming, will once again bear the brunt of federal regulations that harm rather than help them. As a result, consumers in mid-sized and smaller markets will be denied the benefits of competition enjoyed by consumers in larger markets.

Our final point regarding must-carry revolves around the issue of satellite must-carry of both analog and digital signals of the same station in markets where they are available until the broadcasters achieve the transition to full digital transmissions. We have expressed strongly our opposition to dual carriage and find no statutory basis for the Commission to mandate it. SBCA is greatly concerned that the additional channel capacity that dual carriage entails would once again be at the expense of other national programming services and DBS consumers. The future digital broadcasting marketplace

[8] Id. at page 5.

remains a highly unknown quantity at this stage of its development, and there is little guarantee that all the broadcasters will ever be in compliance. In addition, the digital marketplace has already started to shape itself around the desires of consumers while at the same time supporting new applications and services the full impact of which have yet to be felt. The Commission must allow these market forces to do their work in determining what the consumer wants and how the consumer should be served before implementing new rules and regulations which could have further negative impact on already beleaguered satellite consumers.

IV. DELIVERY OF DISTANT NETWORK SIGNALS REMAINS A SERIOUS ISSUE THAT MUST BE RESOLVED.

While the SHVIA authorized DBS providers to offer local signals to their subscribing households, capacity limitations and the impact of forced-carriage rules will limit the number of markets in which local-into-local will be offered. At the same time, many subscribers in markets without local-into-local service are unable to receive a viewable over-the-air signal using a standard rooftop antenna. Therefore, a large number of subscribers for whom local-into-local service is not available must rely on distant network service for the national news, sports and entertainment that their urban and suburban counterparts take for granted. A household that is "unserved" under the definition in SHVIA is eligible to subscribe to distant network signals. But many other households that do not qualify as "unserved" nonetheless do not receive a viewable signal. That more DMA's are not being served by local-into-local service is due to the limited transponder capacity of the DBS satellites, and the need for the DBS providers to ration channels in preparation for the full must-carry mandate that is scheduled to go into

effect on January 1, 2002. The ramifications of this issue are discussed in more detail below.

The Yankee Group study queried interviewees with regard to the means available to them to receive local TV stations. Of the 1,000 DBS households that were interviewed for the survey, the Yankee Group found that 46 percent had local channels available from their DBS provider, while 49 percent stated that local channels were not available. In addition, in areas where cable is available, 52 percent of DBS households reported that local signals were available from their DBS provider. Thus, local-into-local service appears to be available to more than 50 percent of DBS viewers who live in cabled areas. In contrast, the Yankee Group study found that 40 percent of DBS households that also subscribe to cable reported that local-into-local service was available from their DBS provider. Apparently those subscribers have decided to stay with cable to receive their local channels rather than obtain them from their DBS provider. The Yankee Group also asked DBS consumers who take local-into-local signals when they subscribed to that service. Of the group that responded, 43 percent said they subscribed at the same time that they got the rest of their satellite package, while 55 percent said they subscribed later. (See Appendix C)

The issue of distant network signals arises from data the Yankee Group gathered regarding how TV broadcast networks are received by DBS households across-the-board. Although local-into-local service had been available for only six months at the time the interviews were conducted, almost 20 percent of DBS households reported they received local signals from their DBS provider. The primary means of receiving network signals was by rooftop antenna -- 38 percent reported using this device, compared to 40 percent

in last year's report. Another 16 percent said they utilized rabbit ears to get local signals, compared to18 percent last year; 10 percent used cable, compared to 14 percent last year; and 13 percent subscribed to distant network signals, compared to last year's 17 percent. The most interesting information, however, dealt with how many households reported not receiving broadcast signals at all -- 14 percent of respondents. That, coupled with the number of "unserved" households receiving distant network service (13 percent), is troubling because the data are an indication that a large number of households do not have access to local network signals at all.

The SHVIA made some attempts to facilitate the identification of "unserved" households by mandating an upgrade of the Individual Location Longley-Rice predictive model (ILLR) through the addition of land use and vegetation data. The Act also attempted to clarify the so-called waiver and signal strength testing process. It presumed that over-the-air broadcasters would cooperate with the satellite industry in identifying "unserved" households eligible for distant network service. In those instances in which a dispute arose between a broadcaster and a satellite provider regarding whether or not a household qualified as "eligible," the SHVIA envisioned a testing procedure that would allegedly settle once and for all a contested household's status.

The statutorily mandated testing regime has not proved workable. In the first place, the most efficient time to test a consumer household would be at the time of installation of the satellite reception system. However, broadcasters have been unwilling to accept such a testing process by a qualified satellite dealer or installer. In addition, the mechanics of locating and identifying a qualified tester in each DMA, as the statute requires, have proven to be extremely burdensome and expensive, and add further costs

to consumers in order to determine their eligibility for distant network service. Even if these problems could be resolved, the determination of Grade B signal strength at any given household is still no guarantee that the consumer can receive a viewable picture.

Broadcasters are capitalizing on the flaws in the testing process by denying waivers to DBS households, even when they are well aware that the consumer cannot receive a viewable picture. Complaints are being received by the SBCA and the DBS companies from frustrated consumers who, in spite of their predicted ability to receive a Grade B signal, still cannot receive a viewable picture. We remain in the stalemate that has been the hallmark of the distant signal regime, and to which there is no end in sight. Thus, it appears that as the price of agreeing to the authority for DBS providers to distribute local broadcast signals, broadcasters have successfully limited the distribution of distant network signals – even to consumers who cannot receive a viewable picture using a standard rooftop antenna. There remains much work to be done if a fair and successful qualifying regime is to be made workable on behalf of consumers.

To understand why the Grade B signal intensity standard issue has become even more critical, it is important to note that medium, small and rural markets have little chance to benefit from local-into-local service in the foreseeable future. As we previously discussed, the DBS providers must be conservative in the allocation of channel capacity for local channels in anticipation that they may be forced to carry every broadcast signal in served markets by January 1, 2002. Additionally, in markets where distant network signals are the only source of national broadcast programming for DTH households, cable operators have an advantage over satellite providers in their scope of coverage. They are required to protect the exclusivity of network signals to a radius of

35 miles in the top 100 markets, and 55 miles in the remaining DMA's. While the SHVIA directs the Commission to implement non-duplication rules for DBS which are "analogous" to cable, in markets where local-into-local is not being offered DBS providers must give protection within the entire Grade B contour – a distance of often up to 75 miles. Thus, in these markets the extant regulatory regime encourages television households to take cable service if for nothing more than to receive local stations.

This highly anti-competitive advantage is unfair to consumers and should be reexamined by the Commission. It is abundantly clear that in addition to the continued unworkability of the distant network signal qualification process, the underlying application of the Grade B standard is also creating a regulatory "tilt" in the marketplace. It is the very consumers who will have the longest wait for local-into-local service who are not only bearing the burden of the controversy over waivers and testing; they are also bound by the regulations governing signal protection that cable operators do not have to observe. The Commission can perform a great service on behalf of the millions of consumers who are trapped by this impasse by reassessing the application of Grade B as a signal reception standard. In addition to the inquiry that it is conducting now, consideration should also be given as to whether households in markets where local-into-local is not available should be given the right to receive distant network signals whether or not they are "unserved." If over-the-air broadcasting is truly intended to be free for all consumers, then such an action can only help to promote that policy. The Commission must consider the inherent unfairness of preventing the delivery of any broadcast signal to any DTH subscriber who cannot otherwise take advantage of local-into-local service.

V. SPECTRUM SHARING WITH TERRESTRIAL WIRELESS IN THE 12.2-12.7

The SBCA and its DBS members remain critically concerned over the harmful interference to DBS consumers and the disruption of competition with cable that will surely result if the Commission permits sharing of the 12.2-12.7 GHz band with terrestrial wireless providers, also known as wireless cable providers.[9] (See Appendix D) Our concern is fueled by the Commission's continued consideration of several extant wireless applications[10] to share these DBS frequencies without taking into consideration either the technical or policy ramifications such sharing would entail.

Ironically, the Commission prepared for the advent of DBS satellite television in 1982 when it cleared the 12.2-12.7 GHz bands of microwave users. The *DBS Order*[11] finalized the rules for the frequency band and adopted a transition period to give the incumbent terrestrial fixed service users time to relocate their operations. The Commission in its *Order* stated that its actions were necessary "to ensure that interference from [FS] operations now using [the 12 GHz band] would not prevent reception of DBS signals."[12] At the time of the *Order*, the Commission already had doubts about interference during the transition period when DBS and FS operations would be granted co-equal status. It further stated, "[I] n many areas reception of DBS signals would be impossible because of interference from terrestrial users [FS] users."[13] Thus the Commission was already well cognizant of the dangers of allowing FS users to

[9] SBCA Comments, FCC Wireless Bureau, WT Docket No. 00-19,
[10] Northpoint Technology, Ltd., Pegasus Communications Inc., and Satellite Receivers, Ltd.
[11] Gen. Docket No. 83-603, 90 FCC 2d 676 (1982) ("DBS Order").
[12] *DBS Order* at para. 45.
[13] *DBS Order* at para. 46.

share the 12.2-12.7 GHz band with DBS long before any of the current applications had been filed.

Certainly, when the Commission implemented the *DBS Order* in 1982 it could not have imagined how intense competition would be between DBS and cable today. DBS now boasts more than 13 million subscribers. That is due in no small part to the pro-competition policies that have been set in place by Congress and the Commission over the last 12 years.[14] Consumers are just beginning to enjoy the benefits of these policies, and it is incumbent on the Commission to ensure that those benefits are not jeopardized by sharing schemes that could destroy the marketplace architecture and the competition it has helped to foster. Yet, that is precisely what will happen if terrestrial fixed microwave operators are allowed to share the DBS band. Therefore, the Commission has a grave responsibility to make absolutely certain that the overarching policy of video competition is not adversely affected because it failed to account for the interference that sharing will bring.

The evidence that fixed microwave operations will have a detrimental impact on the ability of consumers to receive DBS signals has been graphically demonstrated by the recent tests conducted jointly by DIRECTV and EchoStar utilizing a Special Temporary Authority granted by the Commission. The tests gave incontrovertible evidence that terrestrial wireless operations in the 12.2-12.7 GHz band would create significant, harmful interference to DBS reception. Comsearch, a highly respected engineering firm, also independently verified the tests.

[14] They include the 1988 Satellite Home Viewer Act; the 1992 Cable Act; the 1994 Satellite Home Viewer Act; the 1996 Telecommunications Act; and the 1999 Satellite Home Viewer Improvement Act.

Nonetheless, it appears that, in spite of the gravity of the demonstrated interference, the Commission continues to pursue the extant applications for sharing. While no one could imagine that Congress or the Commission would deliberately take an action that would increase service outages for telephone subscribers, off-air broadcast television viewers, or cable subscribers, that is what will result should the Commission allow spectrum sharing by wireless cable providers in the DBS band. By deeming the interference created by FS operators as "acceptable" and attempting to "shoehorn" FS operations into the DBS band, the Commission would be promulgating by decree an increase in the frequency and length of service interruptions to DBS consumers. Put another way, the Federal government would be creating an "industrial policy" which sanctioned deterioration in performance by an important video marketplace competitor. Ironically, this situation does not have to occur. The Commission has set aside frequency spectrum for exactly the types of fixed wireless systems that have applied to operate in the 12.2-12.7 GHz band.

Therefore, with such weighty issues at stake, the Commission must ensure that there is absolutely no risk of interference to DBS consumers' signal reception caused by sharing with the terrestrial wireless service. Any disruption to video competition now would be an extreme irony. With the local-into-local license authorized by the SHVIA, and subscriber data and growth trends we have described earlier, it would be unfair and capricious on the Commission's part to make any decision to upset the delicate competitive balances that are finally coming into play in the market. DBS providers' authority to deliver local signals has only been in existence since November 29, 1999 -- barely nine months ago. By contrast, cable was granted that authority by the 1976

Copyright Act, fully twenty-three years before DBS received its respective license. Yet, pursuit of sharing schemes by the Commission through a subjective judgment of what constitutes "acceptable interference" will seriously injure what has taken so long to build up.

VI. BROADBAND – CROSSING THE GREAT DIVIDE

The coming plethora of new telecommunications services, including broadband, Internet and interactive applications, has again raised important issues with regard to the availability of these services to rural America. Congress, the Commission and the National Telecommunications and Information Administration (NTIA) have been focusing their attention on means of delivering broadband services to rural consumers. Clearly, satellite communications are the fastest, most efficient and least expensive means of closing the "digital divide" and delivering broadband services to small and rural communities. Because of their extensive "footprint," satellites are the optimum method for providing point to multi-point communications on a large scale. Thus far, however, Federal policy makers, even beginning with the so-called Information Superhighway concept of the early 1990's, have been far too focused on wireline communications as the preferred solution to the "digital divide," in spite of the need of wireline-based services to construct costly physical infrastructure that would be required to serve all Americans.[15] Wireline-based telecommunications companies may be reluctant to make the necessary investment in the vast architecture that these services call for. As an incentive, Federal policy makers seem eager to offer governmental financial intervention without

[15] Legislative and Agency proposals to provide rural America with new telecommunications services include, for example, direct government subsidies and tax credits. See also "Advanced Telecommunications in Rural America, The Challenge of Bringing Broadband Service to All Americans," NTIA and USDA Rural Utilities Service, April 2000.

recognizing the cost efficiencies that satellites offer in lieu of wire in the smaller markets where cable operators and RBOC's will not make the necessary investment to build out their plant. The SBCA has made extensive efforts to inform key government agencies of the importance and capabilities of the U.S. satellite industry to provide a variety of telecommunications services to rural areas faster and cheaper. The Commission should help ensure that the role of satellite as an important cornerstone of our nation's telecommunications infrastructure is not overlooked.

VII. CONCLUSION.

The DTH industry, boosted by the availability of local-into-local and incredibly high rates of consumer satisfaction, is rapidly taking its place as the only viable competitor to the cable monopoly. In addition, the industry's rapid rollout of new, interactive digital applications that will enhance the ability of consumers to view, store and recall programming, as well as receive data, information, and use the Internet will further enhance the industry's competitive position. In addition, satellite's national footprint makes it the most cost-efficient means available to bridge the "digital divide."

On the other hand, the DTH industry still faces significant hurdles to achieving its full potential as a competitor to cable. We call upon Federal policy makers to reevaluate the application of must-carry rules to satellite. It would be far better to allow the marketplace to determine broadcast signal carriage and free up precious capacity to enlarge the number of consumers able to enjoy the benefits of local-into-local service and full competition. We also call upon Federal policy makers to finally resolve the issues that prevent consumers from receiving distant network signals via satellite. Indeed, we propose a system that would provide the maximum amount of competition by ensuring

that all U.S. satellite households can have access to broadcast signals via satellite – either through local-into-local or distant network signals. In addition, we call upon the Commission to reject demands by wireless cable systems to share the DBS band. Allowing wireless cable to share the 12.2-12.7 spectrum band would cause ruinous interference to satellite customers thereby reducing competition and increasing cost.

If these barriers to competition are quickly and efficiently removed, the DTH industry will be in a position to becomes a competitor to the cable monopoly on a scale that the Commission and Congress have long envisioned. Otherwise many consumers will continue to confront frustrating barriers to choice and increased competition in the video marketplace.

Dated: September 8, 2000

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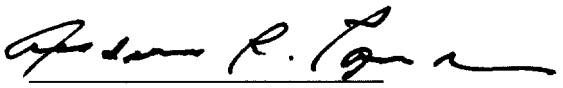

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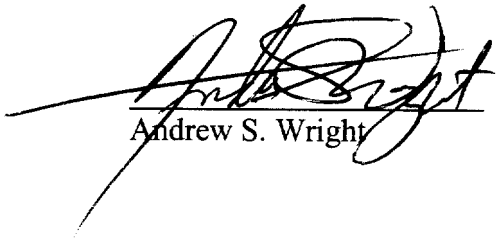

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